Unit 9 Establishing Company Direction

Concept of Strategic Vision:

- **Vision statement:** A Vision statement outlines what the organization wants to be, or how it wants the world in which it operates to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.
- Definitions: “description of something (an organisation, corporate culture, a business, a technology, an activity) in the future”. (Kotter)
- “mental perception of the kind of environment an individual, or an organisation, aspires to create within a broad time horizon and the underlying conditions for the actualisation of this perception”. (EI Nakami)
- A **Vision** Statement defines what your **business** will do and why it will exist tomorrow and it has **defined** goals to be accomplished by a set date.
- A **Vision** Statement takes into account the current status of the organization, and serves to point the direction of where the organization wishes to go.

Examples of Vision:

- Amazon: Our vision is to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online.
- Nike: To bring inspiration and innovation to every athlete* in the world.

(*If you have a body, you are an athlete.)

- Nepal Investment Bank: Our vision is to be the most preferred provider of Financial Services in Nepal.
- Chaudhary Group: We strive to be a global leader in customer value.
- BMW: To become most successful premium manufacturer in the car industry.

Benefits of Vision:

- Good visions are inspiring & Exhilarating (generate excitement)
- Good visions help in the creation of a common identity and shared sense of purpose.

- Good visions foster risk-taking and experimentation.

Concept of Mission Statement

- "A mission statement reveals the long term vision of an organization in terms of what it wants to be and whom it wants to serve."(Fred David)
- "One-sentence statement describing the reason an organization or program exists and used to help guide decisions about priorities, actions, and responsibilities."
- A well conceived mission statement defines the fundamental and unique purpose that sets a company apart from other firms of its type and identifies the scope of the company's operations in terms of products offered and markets served.
- "Mission express/states the doing part of the vision."

Examples of mission statements:

- The Rotary Foundation: To enable Rotarians to advance world understanding, goodwill and peace through the improvement of health, the support of education, and the alleviation of poverty."
- Nepal Investment Bank: To be the leading Nepali bank, delivering world class service through the blending of state-of-art technology and visionary management in partnership with component and committed staff, to achieve sound financial health with sustainable value addition to all our stakeholders. We are committed to do this mission while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.

Benefits of Mission Statements:

- To ensure unanimity of purpose within the organization
- To provide a basis, or standard, for allocating organizational resources
- To establish a general tone or organizational climate
- To serve as a focal point for individuals to identify with the organization's purpose and direction, and to deter those who cannot from participating further in the organization's activities

- To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization
- To specify organizational purposes and then to translate these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.

Components of mission statements:

i. Customers—who are the firm's customers?

ii. Products or services—what are the firm's major products or services?

iii. Markets—geographically, where does the firm compete?

iv. Technology—is the firm technologically current?

v. Concern for survival, growth, and profitability—Is the firm committed to growth and financial soundness?

vi. Philosophy—what are the basic beliefs, values, aspirations, and ethical priorities of the firm?

vii. Self-concept—what is the firm's distinctive competence or major competitive advantage?

viii. Concern for public image—is the firm responsive to social, community, and environmental concerns?

ix. Concern for employees—Are employees a valuable asset of the firm?

Difference between mission and vision statements

Mission	Vision
• It defines why the organization exits, what it does, who it does it for and how it does what it does. • The purpose is to inform what the organization does. • The mission statement talks about the present leading to its future. (10 years or more) • When development a mission	• It defines where the organization wants to be. • The purpose is to inspire and to be the emotional driver toward the organization. • The vision statement talks about the organization future. (20 years or more) • When development a vision

statement we should talk about actions. • Guides in formulation of business definition, goals and objectives.	statement we have to think about values. (values to people , world) • Guides in formulation of mission.

Setting performance Objectives

Objectives are what the organization wants to have or become at some point in the future. (Usually 3-5 Years)

- Because they are strategic in nature, they focus more on position to be attained than on specific accomplishments.
- They define success at a point in the future, allowing you to work backward and identify interim steps along the way.
- They take the company strategy one more step toward action level.
- They are visionary and broad in scope.
- Format: "to have (or become) (the result) by (year).

"Objectives are the end results of planned activity. They state what is to be accomplished by when and should be quantified if possible." (Wheelen and Hunger)

"Objectives are statements of specific outcomes that are to be achieved."(Johnson & Scholes)

Examples of performance objectives: **(Profitability, Survival, Growth, Efficiency, Leadership, Social Responsibility, Reputation, Employee relation and development etc.)**

Importance of objectives:

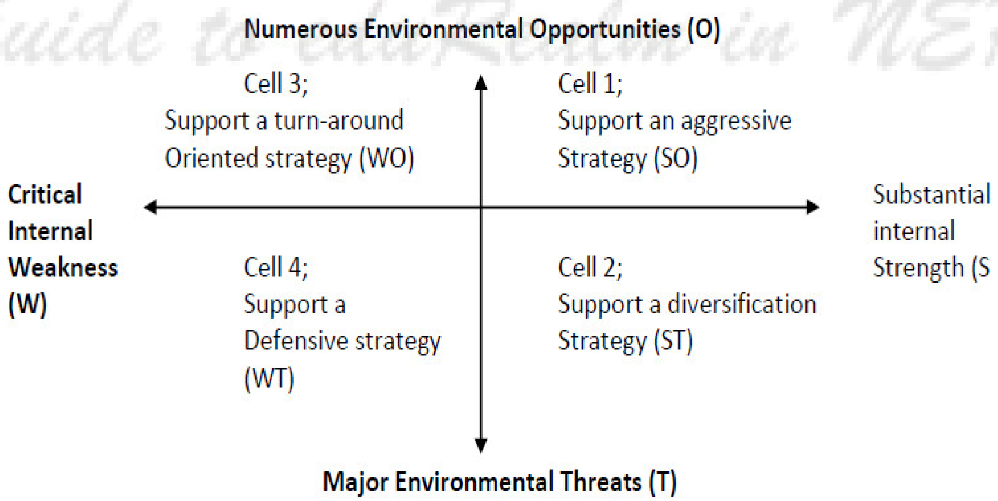
- Decision making.(organization's relationship with environment)
- Helps organization pursue its vision and mission.
- Provide the basis for strategic decision.

- Increase organizational efficiency.
- Performance Appraisals.

Strategic Objectives versus Financial Objectives

Strategic Objectives	Financial Objectives
• Objectives that are competition focused and aim to be a best player in its market or industry. (Bigger market share, new segments, Differentiation, Cost rationalization, improve supply chain, electronic commerce. • long term 5-10 years, • wide range coverage • gain competitive advantages • strengthen market position & resource utilization	• An objective set by a company in which the target state is measured in monetary terms, such as a certain amount of profits, or a certain percentage increase in profits over a period of time. • Short term 2-3 years, • limited scope • derived from corporate financial plan • focus on Growth in turn-over ,Better margins, Higher return on investment , cost reduction etc

SWOT Analysis



SWOT is a widely used thinking framework for identifying Strengths, Weaknesses, Opportunities and Threats. It enables key factors to be visibly recorded as a high-level summary of a business. SWOT analysis is a summary that is simple but powerful.

- Strength: Capability of organization to compete and meeting the needs of customer it serves.
- Weakness: Limitation of resources which creates disadvantages in meeting the customer need and be competent.
- Opportunities: Favorable condition for a firm.
- Threats: Unfavorable condition for a firm.

The SWOT Matrix: The SWOT analysis is also called TWOS matrix. It is an important matching tool that helps manager develops 4 types of strategies. SO (strength-Opportunities) Strategies, WO (Weaknesses-Opportunities) strategies, ST (Strength-Threats) Strategies, and WT (Weakness-Threats) Strategies. Matching key external and internal factors is the most difficult part of developing a SWOT matrix and there is no one best of matches.

a. **SO Strategies** uses a firm's internal strengths to take advantage of external opportunities. All managers would like their organizational to begin a position in which internal strengths can be used to take advantages of external trends and events.
b. **WO Strategies** aim at improving internal weakness by taking advantage of external opportunities. Sometimes key external opportunities exist, but a firm has internal weakness that prevents it from exploiting those opportunities. For e.g. there may be high demand for electronic devices to control the amount and timing of fuel injection in automatic engines (opportunities), but a certain auto parts manufacturer may be lack the technology required for producing these devices (weakness). One possible WO strategy would be to acquire this technology by forming a joint venture with a firm having competency in this area. An alternative WO strategy would be to hire and train people with the required technical capabilities.
c. **ST Strategies** use a firm's strength to avoid reducing the impact of external threats. This doesn't mean that a strong organization should always meet threats in the external environment. However, when an excellent firm (strength) couldn't complete with the alliance firm. Rival firms that copy ideas innovations and patented products are a major threat in many industries. This is still a major problem for U.S. firms selling products in china.

d. **WT strategies** are defensive tactics directed at reducing internal weakness and avoiding external threats. An organization faced with numerous external threats and internal weakness may indeed be in precarious (insecure) position. In fact, such a firm has to fight for its survival, merge, retrench, declare bankruptcy or choose liquidation. There are eight steps involved in constructing a SWOT matrix.